

# MINUTES OF ROANOKE CITY AUDIT COMMITTEE

June 2, 2003

## 1. CALL TO ORDER:

The meeting of the Roanoke City Audit Committee was called to order at 11:32 a.m. on Monday, June 2, 2003, with Chair, Linda F. Wyatt, presiding.

- **The roll was called by Mrs. Powers**

### **Audit Committee**

**Members Present:** Linda F. Wyatt, Chair  
Mayor Ralph K. Smith  
William D. Bestpitch  
Dr. M. Rubert Cutler  
Alfred T. Dowe, Jr.  
Beverly T. Fitzpatrick, Jr,

**Others Present:** Drew Harmon, Municipal Auditor  
Darlene L. Burcham, City Manager  
Arthur B. Crush, III, Clerk of Circuit Court  
David C. Anderson, City Treasurer  
William M. Hackworth, City Attorney  
Jesse A. Hall, Director of Finance  
Mary F. Parker, City Clerk  
Ann Shawver, Deputy Director of Finance  
Chris Slone, Public Information Officer  
Rolanda B. Russell, Asst. City Manager Community Development  
George C. Snead, Jr., Asst. City Manager for Operations  
David Collins, Assistant City Attorney  
Dana Long, Chief of Billings and Collections  
Mike Tuck, Assistant Municipal Auditor  
Pamela Mosdell, Information Systems Auditor  
Kevin Nicholson, Senior Auditor  
Brian Garber, Senior Auditor  
Evelyn Powers, Administrative Assistant  
Duane Howard, Citizen

## 2. INTERNAL AUDIT REPORT:

- A. Clerk of The Circuit Court
- B. Accounts Payable
- C. Civic Center
- D. Child Day Care
- E. Operations Center
- F. Billings and Collections
- G. Cash and Inventory Counts

Mrs. Wyatt ordered that the Clerk of The Circuit Court internal audit report be received and filed. The order was moved by Mr. Fitzpatrick and seconded by Dr. Cutler. Mrs. Wyatt recognized Mr. Harmon for comments. Mr. Harmon stated that the audit was our routine annual audit that the APA requires. Our office works with the APA and we provide half of the audit services and in return they do not bill the City for audit services. A copy of the APA's report is attached which is an unqualified opinion. There were no questions from the Committee. The motion was approved unanimously.

Mrs. Wyatt ordered that the Accounts Payable internal audit report be received and filed. The order was moved by Dr. Cutler and seconded by Mr. Fitzpatrick. Mrs. Wyatt recognized Mr. Harmon for comments. Mr. Harmon stated that the system is a fairly mature system and that we have a good handle on the system. Dr. Cutler asked the question why there were 1,300 personal property tax refund checks and what brings about this many refund checks. Mr. Anderson, City Treasurer, stated that the refunds are basically abatements to accounts after the tax bill has been already paid or pro-ration to vehicles where the taxpayer has already paid their account. There were no further questions from the Committee. The motion was approved unanimously.

Mrs. Wyatt ordered that the Civic Center internal audit report be received and filed. The order was moved by Mr. Fitzpatrick and seconded by Mr. Bestpitch. Mrs. Wyatt recognized Mr. Harmon for comments. Mr. Harmon recognized Mr. Tuck the in-charge auditor for his comments. Mr. Tuck stated that this audit was a review of the implementation of the Civic Center EBMS System. He also stated that originally we had intended to do a full evaluation of the system however; we found the system to be only partially implemented when we started the audit, and as a result we changed the audit objective to review the implementation process of the system. Mr. Tuck stated that the audit did note some areas of improvement and the recommendations are noted in the report. Dr. Cutler asked if the problem was that the EBMS software was not being used optimally and if we see progress being made in that regard? Mr. Tuck stated that he has met with the Department of Technology and Civic Center management to get a plan started to get the system fully implemented. Mr. Tuck stated that management is headed in the right direction. Dr. Cutler said that his sense to the situation is that the Civic Center had the software and have not been using much of the software to its fullest capabilities. Mr. Harmon stated that the biggest part when purchasing software is trying to plan the implementation and how you are going to use it, and building the procedures around it so that it gets used effectively. Mr. Harmon stated that the software at the Civic Center was sort of piece milled. The Civic Center was attempting to implement it independently more or less. Mr. Harmon stated that it really helps if you have someone who is familiar with project management like DoT, and that is why we have brought the parties together. Mr. Harmon stated that he feels we have the right people involved to make sure that the system gets implemented the way it should. Mayor Smith asked aside from these recommendations, is everything else okay at the Civic Center? Mr. Harmon stated that we did not look at anything else as far as their operations, the accounting procedures, or the Box Office. Mr. Harmon stated that our plans are to do a fiscal year-end audit when the Civic Center closes the books on June 30 and after that we are going to do basically a financial audit of the Civic Center.

Mayor Smith asked how many budget hours we budgeted for in the Civic Center audit. Mr. Harmon stated that this year we budgeted around 400 hours that included two audits – EBMS and the financial audit which is typically 200 hours each. Mrs. Burcham stated that the purchase of the EBMS system was initiated by Civic Center management and that when this software was purchased it did not go through some procedures that are now in place that mandate that the Department of Technology sign off on any new applications purchased. The sign-off requirement is for two reasons 1) to ensure that we have the necessary expertise within DoT to provide the kind of support that is needed for the system and 2) to ensure that if the system needs to be integrated that it can happen. Mr. Bestpitch asked if the reason that the coordination with Technology did not occur was because we did not have that requirement in place at the time the Civic Center purchased the EBMS system, and since that time we have changed our requirements. Ms. Burcham stated yes. Mrs. Wyatt asked as Council's liaison to the Civic Center Commission one of the issues has been trying to get a handle on the expenses of the Civic Center. Mrs. Wyatt asked if the EBMS software is capable of tracking expenses per event and projecting a clear picture of how money is spent as it pertains to different events. Mr. Harmon stated that from his understanding of the system it would because the system has inventory and labor tracking capabilities. Mr. Harmon stated that with the right person setting the system up you could track expenses better. Dr. Cutler asked about the transfer of money from the Civic Center to the City's general fund. Mr. Hall, Director of Finance, stated that because of some staff vacancies at the Civic Center they have gotten behind on closing out some events. Mr. Snead stated that the issues at the Civic Center will be top priority for the new Civic Facilities Director and with the support of Mr. Harmon and his staff the issues will be addressed and get the EBMS accounting module completely implemented so that it will smooth and make more timely the close of events, settlement of events, and movement and transfer of funds to the Department of Finance. There were no further questions from the Committee. The motion was approved unanimously.

Mrs. Wyatt ordered that the Child Day Care internal audit report be received and filed. The order was moved by Dr. Cutler and seconded by Mr. Fitzpatrick. Mrs. Wyatt recognized Mr. Harmon for comments. Mr. Harmon stated that this audit was initiated on a request from the State to ask localities to look at this area because of its' large expenses. Mr. Harmon stated that we looked at this program from the application process all the way through to actually visiting some of the day cares to look at the health and safety issues, and reimbursements. Mr. Harmon was pleased to say that the report was favorable. Mr. Bestpitch asked if we had a similar report before. Mr. Harmon stated that we discussed this at our work session. There were no further questions from the Committee. The motion was approved unanimously.

Mrs. Wyatt ordered that the Operations Center internal audit report be received and filed. The order was moved by Mr. Bestpitch and seconded by Mr. Fitzpatrick. Mrs. Wyatt recognized Mr. Harmon for comments. Mr. Harmon stated that we have begun looking at more areas in the Department of Technology. Mr. Harmon stated that we now have an Information Systems Auditor who has the expertise to audit this area. Mr. Harmon stated that the audit was favorable. Mr. Dowe asked if we did exit conferences

when division department heads change. Mr. Harmon stated that we are required to do turnover audits when there are changes in the Constitutional Officers, but typically we do not when department heads change. Mr. Harmon stated that we are going to look at Real Estate Valuation with Mr. Claytor's retirement. Dr. Cutler asked what a laser vault is. Mr. Harmon stated that it is a vault for data and that it is basically a program that the information in it is secure and cannot be in anyway distorted or lost. Dr. Cutler said that he was impressed by the high level of technology expertise that the audit staff had to have to second guess the Department of Technology and help them with their security. Mr. Harmon briefed the Committee on the expertise in the department and stated that the debate often is do you take an auditor and make them into a technology person or take a technology person and make them in an auditor, and we chose the former route in that we took someone who had audit experience who showed some skills in the computer area and asked her to work her way into an Information Systems Auditor. Mr. Harmon stated that Mrs. Mosdell is the department's Information Systems Auditor. Mrs. Mosdell has taken night courses to get an Associates Degree in Technology and she has taken certification courses and achieved a CISA certification this year. Mr. Harmon stated that we have a top technology department and being able to go into the department and look at the rapid change in that area is important from an audit standpoint. There were no further questions from the Committee. The motion was approved unanimously.

Mrs. Wyatt ordered that the Billings and Collections internal audit report be received and filed. The order was moved by Dr. Cutler and seconded by Mr. Fitzpatrick. Mrs. Wyatt recognized Mr. Harmon for comments. Mr. Harmon stated that based on his read of other localities that everyone is not fortunate to have centralized some of these miscellaneous collections. The City is one of the elite few that have a good process of control collections process throughout the organization. Mr. Harmon stated that the audit was favorable. Dr. Cutler asked if the request to DoT regarding the request for an automated workflow system was still pending and if so, was there some sense when that request might be accomplished. Mrs. Long, Manager of Billings and Collections, stated that the request has not been done and that it was on DoT's list. Mrs. Burcham said that the Technology Committee met last week and that she has not seen their list of priorities and that she was not in the position to respond to the question at this time. Ms. Burcham said that she will get this information to the Committee. Dr. Cutler said that if it is really that important, then it should move up on the priority list. There were no further questions from the Committee. The motion was approved unanimously.

Mrs. Wyatt ordered that the Cash and Inventory Counts internal audit report be received and filed. The order was moved by Mr. Fitzpatrick and seconded by Dr. Cutler. Mrs. Wyatt recognized Mr. Harmon for comments. Mr. Harmon stated that this audit came from input that we received from the Council and the Mayor in regards to more substantive testing where you go into the department and look at the inventory of cash. Mr. Harmon asked Mr. Tuck the in-charge auditor to comment on the details of the audit. Mr. Tuck stated that we conducted surprise and scheduled counts of cash and inventory at various City locations. Some areas had significant balances and others had small balances. Cash balances on hand were well accounted for generally and

also generally inventory balances appeared to be correct. Mr. Tuck stated that he did note some differences at Fleet Management due to a faulty scanner that they were using at the time. The scanner has been sent back to the vendor for repairs. Mr. Tuck stated that we will be on hand to observe Fleet Management's physical inventory at year end to verify that the differences have been corrected. Dr. Cutler had a question about the Sewage Treatment Plant's physical inventory amount. Mr. Tuck stated that that was the actual physical value of the plants inventory and not actual dollars on hand. There were no further questions from the Committee. The motion was approved unanimously.

### **3. UNFINISHED BUSINESS:**

There was no unfinished business to come before the Committee.

### **4. NEW BUSINESS:**

#### **A. Engagement Letter – Roanoke City Public Schools**

Mrs. Wyatt recognized Mr. Harmon for comments. Mr. Harmon stated to the Committee that the internal audit department provides the equivalent of one full-time auditor to the school system and in return they pay the equivalent of one full-time person. In making this arrangement, we put our agreement in writing in the form of the Engagement Letter. We have this agreement signed every year by the Chair person for both the Schools and the City. Mayor Smith asked if this meant that we could not have a spontaneous audit at the School Board. Mr. Harmon stated no that it does not. Mrs. Wyatt made the motion to receive and sign the Engagement Letter. The motion was approved unanimously.

Mrs. Wyatt stated that there was an issue that she wanted to bring up concerning violence. Mrs. Wyatt stated that she has been getting calls about violence issues in Roanoke City Public Schools. Mrs. Wyatt asked what the difference is between whether our Audit Committee does an audit or the State. Mr. Harmon stated that he has contacted the Department of Education and found a person in their internal audit function who stated that her department was not the department that would be coming to Roanoke, and she was not sure what department would come to audit Roanoke's crime reporting. Mr. Harmon stated that he hopes to talk to the State and find out exactly what their program is, who the auditors are, and what their objective would be in their audit. Mr. Fitzpatrick stated the he certainly would encourage us to make sure that in a time like this when our creditability is at stake we need to do whatever necessary to restore our creditability. Mr. Fitzpatrick stated that if the State is going to come in that is fine but, he would like Mr. Harmon do an audit also. Mr. Fitzpatrick stated that he thinks we should do anything we can to create a foundation that helps us understand what the issues are not just for City Council's behalf but, on the residents behalf; particularly the parents. Mr. Bestpitch stated that he agreed with Mr. Fitzpatrick completely. Mr.

Bestpitch stated that he thought we have to do whatever is necessary to restore the creditability in our school system and to demonstrate we are doing all we can to address those rare occasions when something truly unsafe may occur. Mr. Bestpitch stated that he thinks you would also take into consideration what the function of the school safety committees is and, what opportunities they provide to make sure that we are getting plenty of input from the students and the parent. Mrs. Wyatt stated that she thinks you should talk to students and parents but, there is no voice for the teachers. Mrs. Wyatt stated that she thinks there is an administrative voice but, not an open process for teachers, and I would encourage you to include teachers as part of that process. Dr. Cutler also agreed with Mr. Fitzpatrick and Mr. Bestpitch, and would go on to ask the Municipal Auditor that if he feels he has the authority to proceed to do so. Dr. Cutler asked if there was some kind of process necessary to get you invited to audit criminal statistics in Roanoke City Public Schools. Mr. Harmon stated that he has had discussions with the School Board Audit Committee Chair and other School Board members about an audit plan. Mr. Harmon stated that the feeling at that time was that it would be best if we allowed the State to come in do their audit and then in the following year, the Municipal Auditing department would come in and do a follow-up audit. Mr. Harmon stated that he has not talked with all School Board members about the audit plan and I have not talked to the State. Dr. Cutler stated that his sense is that people around the table do not want to wait a year to get involved in this issue. Mr. Harmon stated that this is a Board decision because they have a stake in this. Mr. Harmon stated that he would like to be able to tell the School Board what he thinks his department can do and here is what the State will be doing and give them my recommendation and see where it goes. Mr. Fitzpatrick suggested that when Mr. Harmon has an understanding as to what the State is going to do, that City Council, because of its fiduciary responsibility to the citizens, is interested in having the City's internal audit department do an audit. Mr. Fitzpatrick stated that he certainly did agree not to be in there at the same time, but we do not want to wait one year. Mr. Fitzpatrick stated that this is an important issue and because of our role in it and your role to us, it would be helpful for us to get all the information we can get from the State and you doing this. I think this is something you might want to communicate to the School Board members and see if they are willing to accept that opportunity for you to help them. Mr. Harmon stated that that is the approach he would like to take to impress Council's mood on this and lay out for them what we can bring to the process. Ms. Burcham suggested to the Audit Committee that each Council member contact their "buddy" on the School Board and discuss their concerns to them. The Committee agreed and since there are two new School Board members that do not have a buddy, Mrs. Wyatt agreed to contact these two new members. There was no further discussion.

Mrs. Wyatt stated that she had received a letter from Fairfax County on behalf of Mr. Harmon's work on their peer review team.

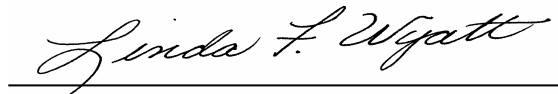
Mrs. Wyatt recognized Mayor Smith for comments. Mayor Smith had some questions on department purchases. Ms. Burcham briefed the Committee on the purchasing procedures. Ms. Burcham reported to the Committee that a Purchasing Manual is now in place to assist departments in following the proper procedures for procurement.

Mayor Smith asked if there is a practical way to determine what a department really needs versus just buying items they wanted. Ms. Burcham stated that under the replacement or purchase of new equipment there are several review levels. Mayor Smith asked Mr. Harmon if the audit department has ever looked at warranties to see if they are up-held. Mr. Harmon stated that we are finishing up a building maintenance audit and that we looked at the workflow with building maintenance and noted that we would like to take a look at the inventory of fixed asset records and how they manage those to record repairs and warranty information. Mr. Harmon stated that we have not looked at warranties but, it is something I think is coming in the next year. Mayor Smith had some questions on contractor warranties pertaining to the open holes in the streets and the backfill that is done by the majority of public contractors. Mayor Smith was concerned that when there is settlement prior to the one year that the warranties are not being up-held. Mayor Smith stated that if this is the case then this situation needs to be audited. Mr. Harmon stated that he thinks Streets and Traffic is an area that we are developing plans on how to do audits in that area and that something to consider is how they grade the streets, manage repairs, and look at contractors that do certain items for them. Mr. Fitzpatrick stated that he thought that was a valid thing and he wanted to say that one of the critical elements is our inspectors who are suppose to be, in many cases, on site managing and monitoring these projects.

Dr. Cutler asked if the City was using air quality issues in determining what kinds of equipment to purchase. Ms. Burcham stated that it is certainly something that is being reviewed. Dr. Cutler stated that he and Mr. Bestpitch would be interested in knowing a little more detail as to how the City is systematically going through the optional strategies that DEQ and the EAP have offered in respect as to how the City can lower the ozone pollution problem in the City. Dr. Cutler stated that we certainly want to be in a leadership role with respect to presenting a good example so we can in fact meet the lower low altitude ozone pollution rate that we must meet by 2007. Anything more specific about what the City can do to get to that, including metro buses and school buses, would be of interest to us sometime in the future. There we no other questions from the Committee.

## 6. ADJOURNMENT:

There being no further business, the meeting was adjourned at 12:33 p.m.



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Linda F. Wyatt, Chair